

EDUCATION ASSESSMENT AND ACCOUNTABILITY REVIEW SUBCOMMITTEE

Minutes

November 20, 2018

Call to Order and Roll Call

The November meeting of the Education Assessment and Accountability Review Subcommittee was held on Tuesday, November 20, 2018, at 1:00 PM, in Room 129 of the Capitol Annex. Representative Daniel Elliott, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Max Wise, Co-Chair; Representative Daniel Elliott, Co-Chair; Senator Alice Forgy Kerr; Representatives Derrick Graham, Regina Huff, and Steve Riley.

Guests: Erin Klarer, KHEAA.

LRC Staff: Joshua Collins, Lauren Busch, and Chris White.

Approval of Minutes

On a motion by Representative Graham and a second by Representative Riley, the minutes of the October 18, 2018 meeting were approved by voice vote.

Approval of 2019 OEA Research Agenda

On a motion by Senator Kerr and a second by Representative Graham, the OEA Study Agenda Topics for 2019 were adopted by voice vote.

OEA State and Local Funding Distribution

OEA presented a report on state and local funding of high poverty schools. The report was approved by this subcommittee as part of the 2018 Research Agenda and provided an overview of how funds are utilized in schools.

Presenting for OEA were David Wickersham, Deputy Director for the Office of Education Accountability (OEA); Bart Research Division Manager, OEA; and Sabrina Olds Cummins, Research Analyst and Lead Researcher on the report, OEA.

Ms. Cummins stated Kentucky districts receive additional state and local revenue for students considered to be living in poverty because of eligibility for the free federal lunch program; however, districts are not obligated to take student poverty rates into account when allocating funds to schools with relatively higher or lower-poverty rates.

The report analyzed per-pupil spending at higher versus lower-poverty schools in the state and looked within Kentucky districts to see how many spent more on the highest-poverty schools at elementary, middle, and high school levels. The report shows, on average, highest-poverty schools spend more per pupil at the state level than do the lowest-poverty schools; however, this is frequently not true within districts.

Ms. Cummings said OEA's presentation includes discussion of the distribution of state and local funds; differences in Free and Reduced Price Lunch (FRPL) rates within districts; expenditure gaps between higher and lower-poverty schools; and the relationship between persistent poverty and student outcomes.

Major conclusions of the report include tweaking the Support Education Excellence in Kentucky (SEEK) funding formula which provides districts extra funds for at-risk students. Few districts have policies in place to consider poverty in allocating funds to schools.

Statewide, average per-pupil expenditures are greater at all levels in the state's highest versus lowest-poverty schools; however, the same does not hold true among schools within individual districts. Some Kentucky districts have all schools with higher-poverty rates and other district vary greatly in the percentage of students qualifying for FRPL. One district has an 86.0 percent range between its highest and lowest poverty schools. The report presented is most relevant for districts containing schools with a wide range of school poverty rates.

Less than half of districts analyzed have greater per-pupil expenditures at the district's highest-poverty elementary and middle schools. For highest-poverty high schools, slightly more than half of the districts have greater per-pupil expenditures. These analyses did not include all Kentucky districts and, at the high school level, there were only 25 districts with more than one high school.

Persistent poverty is defined as students who qualify for FRPL for six consecutive years. The study analyzed persistent poverty and student performance in 8th grade students based on this definition. In 72 districts, at least half of 8th grade students were persistently poor. Additionally, 8th grade reading and math proficiency rates for students who qualified for FRPL each year were approximately 35 percent lower than for students who had never qualified for FRPL between grades 3 and 8.

OEA used financial data from 2017 for preschool thru 12th grade, K-PREP results, and individual student level data on students eligible for FRPL.

Districts receive additional revenue for poor students; however, districts are not required to weigh student poverty in the distribution of funds to schools within districts.

The SEEK funding program is a formula-driven allocation of state provided funds to local school districts. The guaranteed base is comprised of state and local funds. In property-poor districts, a majority of SEEK revenue comes from state funds. In districts with greater property wealth, the majority of SEEK funds are generated through local revenue. In 2017, the General Assembly set a \$3,901 per-student base guarantee on average daily attendance (ADA), which are deposited in the district's general fund.

Kentucky distributes funds to districts in a method referred to as a "weighted student funding (WSF) formula," which distributes funds based on student needs. Districts receive additional funds for students eligible for special education, English language learners, or students considered poor. Students qualifying for free lunch generate an extra 15 percent of the guaranteed base, which amounted to \$597.00 in 2017. A portion of general fund revenue is generated by the specific number of free lunch students attending school within districts and proportions vary among districts. All revenue becomes part of the district's general fund. Kentucky laws govern how districts allocate funds to individual schools and SBDM councils determine budgets for spending in individual schools.

The SBDM allocation process begins with district-wide expenditures being deducted from available revenues in the general fund. District-wide expenses, including administration, impact how much money is available to distribute to schools. Other district-wide expenses impacting school funds are budgeted contingency, maintenance, and transportation.

District administrative budgets also include contingency funds. Kentucky law requires districts to pass a working budget including at least a two percent contingency in the general fund. On June 30th of each year, the contingency amount budgeted in the general fund and any unspent revenues become the district's fund balance. OEA's 2010 Fund Balance Report analyzes fund balances and explains it in detail. District fund balances as of FY 2017 was \$975 million, or 19.2 percent of district expenditures. When KDE changed the fund balance calculation in 2012, the general fund balance increased by \$241 million.

The methods districts are required to use in the allocation of state and local funds to individual schools refers to the general fund dollars remaining after district-wide expenses and contingency funds are removed. Most districts contain more elementary schools, a couple middle schools, and may have only one high school. The majority of district general fund revenue is allocated to individual schools and flows through Section 4 funds for certified staff. Teaching staff allocated for each school are based on district policies and must abide by the per-pupil ratios as dictated by statute. The student per teacher ratio for Kindergarten through grade 3 is 24 students; grade 4 maximum is 28 students; grades 5 and 6 maximum is 29 students; and grades 7 through 12 can have 31 students. Section 4 funds also include staff for certified positions such as principals, assistant principals, and

guidance counselors, among others. The majority of allocations flow through certified staff and governing law does not consider poverty. While some districts may have lower student-to-teacher ratios to help schools with more students living in poverty, additional funding is not always provided to schools with higher-poverty rates. In one district, an elementary school with 89 percent student poverty receives the same number of teachers per student as an elementary school with only 30 percent of students living in poverty.

After Section 4 funds are distributed, the district allocates Section 5 funds for classified staff, based on board approved staffing policies. Section 6 funds are used to purchase supplies needed for classrooms.

Section 7 funds are the last general fund revenues allocated. These funds must be allocated when all expenditures have been allocated and districts have revenue left in the general fund. As with certified staff, funds for classified staff and supplies are based on the number of students and do not take poverty into consideration. For districts who spend more on administration and budget a larger contingency, Section 7 funds may be depleted. In 2017, less than half of Kentucky districts had any remaining funds to distribute through Section 7.

A district can choose between four methods to distribute Section 7 funds. The method is chosen by the local school board and is subject to political considerations. The first method distributes funds proportionally to schools based on ADA. A district's general fund dollars, which contain revenue specifically designated for students in poverty, are distributed to each school without regard to student poverty levels. This option may be appealing for transparency and apparent fairness, although funds do not pass on to higher-poverty schools. The second option is allocation of additional funding to higher-poverty schools based on needs identified by each school's comprehensive school improvement plan (CSIP). These plans may emphasize additional funding needed to close achievement gaps or otherwise serve poor students' needs. A third option is allocation according to board-identified needs, which could similarly target additional funding to higher-poverty schools. A board might also elect to use a combination of the first three methods.

Data used in this report was derived from a 2017 survey to all superintendents, with a 98 percent response rate.

OEA's survey asked districts if Section 7 funds were allocated to any of their schools in FY 2017 and, if so, which option they choose. Of 77 districts which allocated Section 7 funds, 17 districts distributed those funds based on ADA. A district who gives more state and local funds to schools with students living in poverty or with other school needs would allocate funds based on student needs identified by CSIP or for specific instructional purposes based on board-identified student needs from disaggregated student achievement data. Forty two of the 77 districts distributed funds in this manner.

In response to a question by Representative Graham, Ms. Cummins said schools with higher-poverty students are fighting to keep funds. Kentucky differs from other states in shifting funds because SBDMs dictate the distribution of funds within each school. Other states are less descriptive of the manner funds are required to go to schools.

In response to OEA's survey asking districts if board-adopted staffing formulas included poverty, six districts indicated poverty was taken into consideration. After reviewing policies, OEA determined only two districts actually allocated funds based on poverty. One district allocated an additional \$18.00 per student receiving FRPL while the other one allocated two students less than other schools if FRPL rate was 75 percent or above.

In reviewing FRPL percentages in districts and looking at ranges of FRPL eligibility within schools in each district, a map detailed each district's percentage of students qualifying for FRPL in FY 2017. However, the range of FRPL at schools inside these districts can vary greatly. As an example, Boone County has 49 percent of students qualifying for FRPL while McCreary County has 83 percent of students living in poverty, yet the range of FRPL between schools in Boone County is 71.3 percent. That means that one elementary school in Boone County has a FRPL rate of 14.8 percent and another elementary school has a FRPL of 86.10 percent. In McCreary County the range between schools is less than 10 percentage points.

Distribution of state and local funds to higher-poverty schools is most relevant to districts with greater ranges of FRPL eligibility. Distribution of state and local funds to higher-poverty schools is less relevant to districts with relatively similar FRPL rates among schools.

OEA reviewed how expenditures are calculated and reviewed data on annual financial reports. State and local expenditures were calculated from districts' annual financial reports using expenditures from the general and special revenue funds. OEA did not include federal funds since they are designated to be distributed based on need. OEA subtracted special education expenditures to ensure these cost were not inflating the amount of funds spent on students living in poverty.

OEA observed incorrectly coded expenditures in recording state and local grants in the special revenue fund, some unrecorded extended school service expenses at the school level, non-existent Limited English Proficiency (LEP) expenditures in several districts, and miscoded preschool funds. The KDE-published school report card indicated per-pupil expenditures failed to include preschool students in total student membership of the school, resulting in a larger school spending amount. The federal Every Student Succeeds Act (ESSA) requires preschool students to be captured in these calculations.

OEA analyzed the average per-pupil gaps in state and local expenditures by elementary school FRPL quartiles. To derive quartiles, OEA took all elementary schools and sorted them from highest to lowest FRPL rates and divided them into 4 groups with equal membership. Quartile 4 had schools with the highest FRPL at 81.8 percent; quartile 3 had 68.4 percent of students qualifying for FRPL; quartile 2 had 59.5 percent of students qualifying for FRPL; and quartile 1 had the least amount of students qualifying FRPL at 39.1 percent.

The average per-pupil expenditure in the state's highest-poverty elementary schools (quartile 4) is \$6,273, amounting to \$337 more than the average expenditure of the lowest-poverty elementary schools. However, per-pupil expenditures do not increase consistently with school poverty. Average per-pupil expenditures are lower in the higher-poverty quartiles 2 and 3 elementary schools than they are in lower-poverty quartile 1 schools. Differences in district wealth could have an effect. The report indicated similar outcomes for middle and high schools.

OEA studied each district to see if more state and local funds were spent on highest poverty schools. OEA found district spending was similar in most schools across the state. The majority of districts spent more funding on high schools, likely due to more teachers on staff to meet the needs for graduation requirements, alternative classrooms, and career and technical classes. These schools usually have the least amount of students qualifying for FRPL. Elementary levels experienced the next highest spending in most districts due to having the highest amount of students qualifying for FRPL and a lower pupil-to-teacher ratio. Elementary schools are required to have certified instructional aides in each preschool and kindergarten class.

OEA looked at each school level separately. To be included in this analysis, districts were required to have two or more schools at each level. Although average per-pupil spending was greater statewide in higher versus lower-poverty schools, the highest-poverty schools in individual districts often spent fewer state and local funds per pupil than schools with lower-poverty rates. At the elementary level, 52 of 129 districts spent more state and local funds on higher-poverty elementary schools. Middle schools were similar to the elementary level, except only 38 districts were included in this pool. Only 15 of the 38 districts had greater per-pupil expenditures at the district's highest-poverty school. Of the 25 districts analyzed at the high school level, most had the greatest per-pupil expenditures at highest-poverty high schools.

Data from districts illustrated apparent differences in which state and local funds were expended at higher-vs lower-poverty elementary schools. In one district, per-pupil expenditure in the highest-poverty elementary schools was \$1,243 greater than its lowest-poverty elementary school. In contrast, another district's per-pupil expenditure in the highest-poverty elementary school was \$595 less than in the lowest-poverty elementary school. Therefore, a lower-poverty school in the second district was spending almost

\$304,000 more than the higher-poverty school, even though the higher-poverty school had a student population with 33 percent more students living in poverty. The report revealed similar contrasting examples at middle and high school levels.

With only two districts taking poverty into consideration, the majority of state and local school funds are allocated through staffing formulas and not linked to school poverty. Districts can, but are not required to, distribute funds to higher-poverty schools through Section 7 funds. Fewer than half of Kentucky districts distributed Section 7 funds in 2017. Of these, some distribute Section 7 based only on ADA.

Under ESSA, a pilot program was established allowing the U.S. Secretary of Education to select up to 50 districts to participate in equitable per-pupil funding. The program would not only require districts to allocate federal grants using a weighted per-pupil allocation but districts would be required to allocate state and local funds to schools in the same manner. WSFs are transparent and allocate funds to specific types of students enrolled. Districts currently using WSFs include Baltimore, Indianapolis, New Orleans and Cincinnati.

Dr. Liguori said the information he provided is different from prior discussions on school funding in Kentucky. Researching poverty in Kentucky schools, the report examines the association between poverty and student achievement. The U.S. Census defines persistent poverty as counties with 20% or more of population in poverty since the 1990 census. In 2015, 395 persistent poverty counties were identified throughout the U.S. with 43 being in Kentucky. Seventy two Kentucky districts have more than half of their students living in persistent poverty, predominately in eastern Kentucky.

Dr. Liguori shared a comment from district leaders who are aware of the impact of educating students in a persistent poverty county. One superintendent wrote, “My district is in a persistent poverty county and in everything we do we understand the challenge of poverty and diversity. We do overstaff and increase SBDM funding to assist in our fight against poverty. By changing our focus in funding, it has assisted in providing necessary funding that has provided higher achievement data, including my district being a proficient district and the high school being a distinguished school.”

While the U.S. Census defines persistent poverty in regions, no definition of persistent poverty exists at the student level. For this study, OEA used 8th grade students who qualified for FRPL all six years prior to the 2017 school year. Using data from 2017 K-Prep files, OEA examined the prevalence and outcomes of 8th grade students and determined 19,180 students qualified for FRPL during all six years reviewed. Nearly 12,000 8th grade students were not eligible for FRPL in any year during the six-year period. Eighteen districts had more than 40 percent and nine districts had more than 50 percent of 8th grade students who did not qualify for FRPL during the same period.

OEA found districts have either a huge concentration or lack of persistent poverty. Others have a mix of persistently poor students and students who did not qualify for FRPL any year between 2012 and 2017. As an example, Jefferson County had a persistent poverty rate above 50 percent, yet 22 percent of Jefferson County 8th graders did not qualify for free or reduced price lunch at any time during the period examined. This indicates districts simultaneously have students whose families do relatively well while a significant portion of students live in persistent poverty.

Looking at 8th grade students eligible for FRPL and who had K-Prep reading and math proficiency rates, 45 percent of students were eligible for FRPL all six years while 28 percent did not qualify at any time between 2012 and 2017. Students who qualified for FRPL at some point during the six-year period represented 27 percent. Dr. Liguori said these groups included only students with six-year history of K-Prep data.

Dr. Liguori noted a strong negative correlation between the number of years a student qualified for FRPL and K-Prep proficiency rates. Among students with one year of FRPL eligibility, proficiency rates decreased by 10-11 percent in both reading and math. For students who were FRPL eligible every year from 2012-2017, math proficiency rate was less than half of students who did not qualify for FRPL. Reading proficiency was approximately 35 percentage points lower for students who qualified for FRPL all six years.

In response to a question from Representative Graham, Ms. Cummins said OEA will look for more information on academic performance as it relates to poverty. Representative Graham said having facts and figures will help focus money to poverty areas.

Responding to a question from Representative Riley, Ms. Cummins said OEA did not have enough data to determine success rates. In a follow-up question regarding examples in the presentation of general fund dollars being allocated to schools for Section 4 staff, Ms. Cummins identified those schools as being located in western and central Kentucky and said the ranges of FRPL rates between various school districts occur more in rural areas.

On a motion by Senator Wise and a second by Representative Huff, OEA's State and Local Funding Distribution report was accepted by voice vote.

There being no further business before the committee, the meeting adjourned at 2 p.m.